

DOUGLAS COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Douglas County Should Establish And Implement A Uniform Credit Card Policy

During our audit we noted the following improper practices regarding use of county credit cards:

- County employees made charges to the credit cards for personal expenditures incurred while in travel status. These charges were paid by each employee with a personal check directly to the credit card company.
- County employees utilized credit cards to purchase gasoline for personal vehicles while in travel status.
- Finance and penalty charges from July 1994 through March 1995 have accumulated and not been paid by the county.
- County employees did not always submit itemized travel vouchers for credit card charges.

The *Budgeting, Accounting And Reporting System* (BARS) manual, Part 3, Chapter 3, page 19 states in part:

... the legislative body must pass an ordinance or resolution to establish rules and regulations that satisfy provisions of Chapter 42.24.RCW . . .

The RCW 42.24.115* states in part:

- (1) Any municipal corporation or political subdivision may provide for the issuance of charge cards to officers and employees for the sole purpose of covering expenses incident to authorized travel.
- (2) Upon billing or no later than ten days of the billing date, the officer or employee . . . shall submit a fully itemized travel expense voucher. Any charges against the charge card not properly identified on the travel expense voucher or not allowed following the audit required under RCW 42.24.080 shall be paid by the official or employee.

*This statute was revised in the 1995 legislative session to include official purchases other than travel expenses; however, the revisions have no impact on the conditions described in this finding.

The improper practices related to use of county credit cards occurred because an adequate credit card policy had not been established and because employees were not aware of certain legal restrictions on the use of the cards. Although some county departments have an adequate written policy, others do not. There is no uniform policy for all county employees. Without an adequate policy, the risk that errors and/or irregularities regarding use of credit cards may occur and not be detected is significantly increased.

We recommend that the county establish a uniform credit card policy or otherwise ensure that adequate policies are in place for each county department.

2. The County Should Improve Controls Over Contract Payments

The Chelan-Douglas Regional Support Network (RSN) contracts with United Cerebral Palsy Association (UCP) to provide services to the developmentally disabled in Chelan and Douglas Counties. During the fiscal year ended June 30, 1994, the RSN paid UCP \$11,640 more than UCP was entitled to under the terms of the contract for services provided during fiscal year 1993-94.

Article VIII, Section 7 of the *Constitution of the State of Washington* states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm

The RSN Administrator indicated that the excess payment was an oversight discovered by the RSN's accountant.

We recommend that the county recover from United Cerebral Palsy Association the \$11,640 of county funds that were improperly paid. We further recommend that the county improve internal control procedures over contracts.

3. The County Should Implement Existing Billing And Collection Procedures For Client Services Provided By The Behavioral Health Center

During our audit we noted that the county did not consistently bill clients and collect fees for services provided at the Chelan-Douglas Behavioral Health Center (BHC).

The Community Mental Health Services Act (RCW 71.24.215) states in part:

. . . Clients receiving mental health services funded by available resources shall be charged a fee under sliding-scale fee schedules, based on ability to pay, approved by the department

Underbilling results in lost revenues to which the BHC is legally entitled and causes understatement of revenues on the financial statements.

The county indicated that it has been the center's practice not to bill many clients due to the nature of the services provided by the center. The county has recently adopted a written policy that addresses billing and collection procedures; however, the policy has not yet been implemented.

We recommend that the county implement its written policy and procedures for charges, credit and collections of client service fees. We further recommend that all charges and related write-offs of receivables be properly reported in the county's financial statements.

4. The County Should Ensure That Restricted County Road Funds Are Used For County Road Purposes

Our audit disclosed that the county utilized revenues of the County Road Fund to cover operating expenditures that were not directly related to authorized county road purposes. In 1995 the county budgeted an operating transfer from the County Road Fund to the Land Services Fund for \$135,000 to cover Land Services Fund operating expenses. During 1994 the county paid for costs incurred by the Current Expense and Land Service Funds with restricted county road revenues.

The RCW 36.82.020 states:

Any funds accruing to and to be deposited in the county road fund arising from any levy in any road district shall be expended for proper county road purposes.

RCW 43.09.210 further states in part:

All services rendered by . . . one department . . . to another, shall be paid for at its true and full value by the department . . . receiving the same, and no department shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

RCW 36.82.040 allows counties to divert county road tax revenues by budgeting them into a separate and identifiable account within the Current Expense Fund; however, the county elected not to utilize this option.

As a result of the conditions described above, Current Expense and Land Services operations were financed by tax revenues appropriated for county road purposes.

We recommend county officials ensure that operations for each fund are financed by appropriations for that fund made according to statutory requirements. We further recommend that the county either apply the statutory requirements to divert the county road tax revenues already misappropriated or return the revenues to the County Road Fund.